

## Chapter 2

### The Government's rebate and the means test

2.1 Government rebates have been a valuable policy in encouraging the adoption of solar photovoltaic technology, and increasing their profile as a source of renewable energy. The committee noted evidence that the industry is continuing to grow, and the use of photovoltaic systems is rapidly rising.

2.2 Evidence from the Department of Environment, Water, Heritage and the Arts (DEWHA) showed that the number of applications for the SHCP rebate continues to grow. Applications are at record levels, dwarfing the number of applications under previous forms of the Plan.<sup>1</sup>

2.3 The Committee also heard that the number of accredited installers serving the industry is rising. Clean Energy Council figures quoted to the inquiry indicate that the number of installers has risen from 230 in 2007 to 470 by the first quarter of 2008.<sup>2</sup>

2.4 Major companies are showing confidence in the Australian industry and market by establishing significant operations here. Examples drawn to the attention of the committee included the extension of US company SunPower Corporation's operations into Australia through the acquisition of Solar Sales Pty Ltd,<sup>3</sup> and the establishment of Suntech Power in Australia in December 2007.<sup>4</sup>

2.5 Demand for the SHCP rebate continues to be strong, and the minister has indicated that the government remains committed to the rebate. The minister recently stated:

Let me say this very clearly – the Government is committed to the future of the Australian solar industry, committed to providing assistance to those households who most need it, and we will continue meeting demand in this program.<sup>5</sup>

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1 DEWHA, *Submission 147*, p. 4.

2 Clean Energy Council figures 19 May 2008, quoted in Conergy Pty Ltd, *Submission 98*.

3 SunPower Corporation, 'SunPower Acquires Solar Sales, a Leading Australian Distributor', *Media Release*, 24 July 2008.  
<http://investors.sunpowercorp.com/releasedetail.cfm?ReleaseID=324345> (accessed 12 August 2008).

4 Suntech Power Australia, *Submission 96*, p. 1.

5 The Hon Peter Garrett AM MP, Minister For The Environment, Heritage And The Arts, *Speech To The Appropriate Technology Retailers Association Of Australia Conference, Melbourne*, 2 August 2008.

DEWHA confirmed this at the Brisbane hearing.<sup>6</sup>

2.6 The committee also notes that government support for renewable energy is at record levels. Commenting on the recent decision to accelerate the availability of funding in the SHCP, the Minister recently stated:

Combined with the \$480 million solar schools program, which has now commenced, and the \$300 million green loans program commencing next year, the recent Budget saw the most significant investment in the future of solar ever made by an Australian Government.<sup>7</sup>

2.7 The committee notes that debate about the current bill, and around the SHCP rebate, is taking place in the context of a rapidly growing and evolving policy environment supporting renewable energy development and greenhouse gas emissions reduction. Within this context two issues dominated discussion of the current bill: the implementation of a means test by the government in the May 2008 budget; and the relative merits of rebates versus other policies to support renewable energy, particularly feed-in tariffs.

### **The Means Test**

2.8 Many submitters raised concerns about the implementation of the means test. These included installers who were worried about loss of business, and householders who had hoped to take advantage of the rebate but who were no longer eligible. Concern was expressed that the means test would discourage from installing photovoltaic systems the key group of people who would be most likely to adopt the technology: households with the relatively high income levels needed to pay the high price of solar energy systems.<sup>8</sup>

The reality is that it is the people with greater disposable income who have the capacity to change their carbon footprint. Not only that, they are also the people who have not stopped at the entry level solar system of 1 Kilowatt but have chosen in most cases to go for a bigger system.<sup>9</sup>

2.9 At the same time, there was widespread support for a means test as an appropriate mechanism to help target the scheme. The majority of people surveyed by the Adelaide Buyers Group believed a means test was appropriate.<sup>10</sup> Many submissions from householders and installers supported a means test (though often at

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6 Mr Stephen Oxley, Assistant Secretary, Renewable Energy Branch, DEWHA, *Proof Committee Hansard*, 11 August 2008, p. 20.

7 The Hon Peter Garrett AM MP, Minister For The Environment, Heritage And The Arts, 'Solid Growth in Solar Rebates', *Media Release*, 2 August 2008.

8 For example Dr Guy K White, *Submission* 112; Ms Helen Hutchinson, *Submission* 130.

9 Self Sufficiency Supplies, *Submission* 121.

10 Adelaide Buyers Group, *Submission* 146, responses to survey question 3.

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a higher level than the current \$100 000).<sup>11</sup> The Australian Conservation Foundation (ACF) indicated it had 'no opposition to the principle of a means test on the solar PV rebate, and to the targeting of rebates to lower income applicants'.<sup>12</sup>

2.10 While such a test found broad acceptance, the committee heard a range of suggestions were made to modify the means test. The Clean Energy Council for example suggested:

A rebate of \$8 per watt up to a maximum of \$8000, restricted to households with an annual taxable income of less than \$150,000, and \$4 per watt up to a maximum of \$8000 for households above \$150,000.

The industry transition from a rebate scheme to a gross national feed in tariff which is to be put in place by 1 July 2009.<sup>13</sup>

2.11 Over the period of the committee's inquiry, it became clear that most concerns about the means test arose because submitters were worried that it would cause a cut in the number of systems being installed, and a loss of jobs and business in the industry. The Clean Energy Council, reporting on behalf of members in the industry, observed:

In the two weeks following the budget announcements, the industry reported a decline in the number of orders, with orders from households no longer meeting the threshold requirement being cancelled. In addition, staffing impacts were also reported with new employees not being engaged as a result of the uncertainty, casual staff laid off, and contractors having hours reduced.<sup>14</sup>

2.12 However, data provided by DEWHA shows the numbers of applications for the rebate has been rising since the introduction of the means test. DEWHA reported on three six-week snapshots of rebate applications from the industry to illustrate its point:

for the six week period up to 8 February 2008, the average number of applications received weekly was 178;

- for the six week period leading up to the 2008-09 Budget, the average number of applications received weekly was 324; and

- for the six week period up to 11 July 2008, the average number of applications received weekly was 544.<sup>15</sup>

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11 For example, James McGlone, *Submission 77*; Solar Inverters, *Submission 87*; Dieter Nikolai, *Submission 138*; Mr Troy Ryan, Director, Adelaide Hills Solar and Solar Depot, *Proof Committee Hansard*, 6 August 2008, p. 2.

12 ACF, *Submission 82*, p. 1.

13 Clean Energy Council, *Submission 131*, p. 2.

14 Clean Energy Council, *Submission 131*.

15 DEWHA, *Submission 147*, p. 4.

2.13 While particular businesses experienced a loss of customers immediately following the budget announcement, this effect appears to have quickly been superseded by overall growth in the industry, and with changes in the customer profile of the sales and installation companies.

2.14 Examples from evidence taken in Adelaide and Perth highlight the complex nature of the evolution of the industry. Mr Troy Ryan is an installer in the Adelaide region who has been in the industry for most of the last two decades. When he made his initial submission to the committee on 14 July, he had been disappointed by the government's announcement:

Due to the publicity surrounding the decision, there was still a spike in interest and sales of systems stayed steady...

Now the publicity spike is over. We have put off one electrician and one salesman. Sales are down around 25% in numbers 40% in value...<sup>16</sup>

2.15 However less than a month later, by the time he came to Committee's hearing in Adelaide, his experience and perspective was changing:

I have done this chart here to show our sales over a comparative period immediately before and immediately after the budget. You can see a slight increase in sales. The main thing that I wanted to make clear was that we had a huge increase in single-occupant buyers. They are the sort of people who earn less than \$100,000 who can still afford a solar system...

I was as disappointed as everybody else to see a new government come in with all the great promises and then to have that policy announcement in the budget. It was pretty disappointing. Having said that, as you can see, we have not had a drop in sales, and I thought we would. I am surprised that we have not, but the publicity has been fantastic really. I would like to see that publicity every month. Our customers are ringing up in droves and they know whether they are eligible or not and they know what they want because they have heard all about it. It is fantastic. In that regard it has done a great job, but that is a short-term thing and cannot last forever.<sup>17</sup>

Similarly, Ms Drummond of EcoSouth Solar reported an increase in sales, while expressing concern that a fear of the rebates running out might be driving the growth.

2.16 In Perth Dr Wills, from the WA Sustainable Energy Association, was asked what had happened in the industry in the wake of the budget:

Dr Wills—It was within a few days of the budget measures, I guess. We were expressing concern then about the impact on our members. Certainly at that point we had members that were reporting cancelled sales; in fact, one member had reported that 72 per cent of sales were cancelled within a few days of the budget announcement...

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16 *Submission 11.*

17 Mr Troy Ryan, Director, Adelaide Hills Solar and Solar Depot, *Proof Committee Hansard*, 6 August 2008, pp 2–3.

Senator PARRY—Going back to that member that had a 72 per cent cancellation of sales, is that replicated in other members? What is the anecdotal evidence—

Dr Wills—The 72 per cent was the largest figure, but most figures were well over 50 per cent, and usually in the range of 60 to 70 per cent. Some of those have now reported some recovery beyond those numbers.

Senator PARRY—What do you put the recovery down to?

Dr Wills—There certainly appears to have been an educative message in the announcement of the means test on the rebate, and the consequence of that is that there seems to be particularly more retirees taking up systems who had not realised that they were eligible even for the rebate; that the rebate was available. The news around it clearly has sparked some marked interest from that point of view, so that is certainly a positive, and we have some other suppliers who are saying that in some cases that has almost replaced their previous market.<sup>18</sup>

2.17 The committee believes that the industry is undergoing a process of maturation and restructuring. As part of this process, there may be changes in how photovoltaic systems are supplied and installed, and new business models emerging in the sector. This was clear from some comments by witnesses, such as Mr Lamond:

What has happened since then is that there has been a pick-up in our sales because of the larger marketing activities of the handful of larger dealers. So while overall we see our dealer base and our sales looking at dropping back 30 per cent, as a business we see our large dealers actually doing more work.<sup>19</sup>

2.18 Similarly the committee was persuaded by the analysis offered by Mr Mitra Ardron of Beyond Building Energy:

CHAIR—Mr Ardron, you were in the room when we were talking with the department about the number of installers and accreditation and that sort of thing. From your perspective, can you give us a view of how you think it will pan out in the industry if we take away the ongoing availability of the rebate, whether you believe there will be a consolidation of small retailers and installers into larger organisations?

Mr Ardron—Absolutely. I have spent some time looking at the industry in Newark in California where they have decent government support. In both those cases, in order to achieve the volume, the industry has changed. Australia's industry is based on a cottage industry model. It is based on mostly off-grid installations. In fact, until the current rebate system, I believe 90 per cent or so installations in Australia were off-grid. Don't quote me on that; I do not know the exact numbers. But it is of that kind of magnitude. It has been a cottage industry because of the high-touch, lots of

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18 Dr Ray Wills, Chief Executive, WA Sustainable Energy Association, *Proof Committee Hansard*, 7 August 2008, p. 13.

19 Mr Alex Lamond, CEO, Solco Ltd, *Proof Committee Hansard*, 7 August 2009, p. 31.

personal attention that is required because every installation is different. If we look at Europe and California, what we are seeing is a model which is grid-tie dominated which means installations are essentially similar. They do not need nearly as much personal attention and they are industries that have organised their business model to scale that are actually achieving it; it is not the one or two-person installers where you do one or two a week. That was a long answer to your question, but we absolutely see a significant change in the industry towards an industry that is capable of supplying large volumes of solar and other renewables.

CHAIR—We have had installers and retailers come along to us and say their business has changed with the introduction of the means test. Is it possible that some of that business has gone to larger retailers and installers or organisations like your own?

Mr Ardron—Absolutely. Certainly, as the industry grows, as with any industry that changes this rapidly the people who are less efficient will either have to change and grow with it or they will be forced out of business. I see that as not necessarily a negative outcome as long as the overall industry itself is growing. But, yes, I believe we will see that kind of restructuring inside the industry.

CHAIR—And it could be happening now.

Mr Ardron—I think it is happening now.<sup>20</sup>

2.19 DEWHA officials also thought that changes in the industry may have been factors in explaining recent growth:

we have certainly seen emerging new business models, and I think you will receive evidence later today from one such company. These are cluster-type developments where solar PV companies are going out and targeting neighbourhoods or towns and actually getting an economy of scale in the way they do their business, and I think that is also contributing. Changing business models in response to heightened public awareness and a more generous rebate program I think are the key factors [explaining growth in demand].<sup>21</sup>

2.20 The committee understands the frustration of some submitters over the recent change to the scheme. It asks them to consider, however, what the consequences might have been if a change to the rebate was announced to take effect at some future date. If several weeks or months' notice had been given, for example, this would have risked a sudden rash of applications, and a lull after the change. This could have been more damaging to the solar energy industry than the immediate announcement that was made, which has seen continuing strong demand for the rebate.

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20 Mr Mitra Ardron, *Beyond Building Energy*, *Proof Committee Hansard*, 11 August 2008, p. 38.

21 Mr Stephen Oxley, Assistant Secretary, Renewable Energy Branch, DEWHA, *Proof Committee Hansard*, 11 August 2008, p. 25.

2.21 The committee also understands the frustrations felt by some businesses in trying to ensure prompt processing of rebates, which can present them with challenging cash flow issues. The committee notes that DEWHA is aware of, and trying to respond to, the problem:

What you are seeing there is a reflection of the increased demand for the rebate and the administrative workload that is placing on the department, and the reality that it takes us time to catch up in terms of increasing our human resources available to manage and administer the program relative to that demand. Just to give you an example, in April I had 14 staff working on the program. That is now up around 22 staff with a bit of supplementation, and the program manager is saying to me that he would like a couple more in order to get us back as quickly as we can to the time frames that are outlined in the guidelines.<sup>22</sup>

2.22 The committee has concluded that, despite short-term concerns created by the budget decision, there has been no reduction in the desire of households to install photovoltaic systems, and no slow down the take-up of the rebates. The budget decision has not caused a dampening of demand for the services of the solar industry. The rebate is continuing to contribute to the policy objectives of encouraging the use of solar photovoltaic technology, thereby reducing greenhouse gas emissions; assisting in the development of the Australian photovoltaic industry; and increasing awareness of renewable energy resources. In fact, it appears that the policy debate triggered by the budget decision has led to unprecedented levels of awareness in the community of the rebate's availability.

2.23 There is one particular aspect of the operation of the rebate that concerns the committee. Several witnesses expressed concern that the rebate was encouraging the installation of smaller photovoltaic systems, and that, as a result, less renewable energy was being generated than might be possible, and the government may not be getting value for money from its rebate.<sup>23</sup>

2.24 Ms Michelle Drummond described the problem from an industry perspective:

One of the problems that has been created from this is that people cannot afford a system as much as the people over \$100,000. What you are doing is forcing the industry into a decline because you are selling smaller systems and they are actually going to cost more. While we had people getting money over \$100,000 for the rebate they would buy a bigger system, you could buy bulk and therefore the people under were getting a better deal out it. We cannot afford to buy on bulk anymore. We have to buy as per system is sold.<sup>24</sup>

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22 Mr Stephen Oxley, Assistant Secretary, Renewable Energy Branch, DEWHA, *Proof Committee Hansard*, 11 August 2008, p. 21.

23 For example, Solaris Technology, *Submission* 18.

24 Ms Michelle Drummond, Business Coordinator, EcoSouth Solar, *Proof Committee Hansard*, 6 August 2009, pp 14–15.

2.25 Green Energy Trading argued that this handicapped the meeting of government policy objectives:

The means testing of the solar rebate is also a retrograde policy step as it will increase the amount of money that Government spends per unit of solar PV installed...

Under the previous PVRP scheme... the overall rate of Government spending under this scheme was only \$5,000 per kW of installed capacity, or in other words, each dollar invested by Government was more than matched by customers...

Anecdotal advice from installers since the means test indicates that recent systems being installed and financed via the Solar Homes and Communities Plan are typically much lower capacity – towards 1 kW – targeted at the minimum capacity required for maximum Government assistance. This results in minimal extra spending on the customers behalf. The impact of this is to increase the average rate of government support from \$5000 to more than \$7000 per installed kW and correspondingly reduces the level of private investment.<sup>25</sup>

2.26 The analysis provided by industry figures appeared to be confirmed by figures provided by DEWHA:

Senator PARRY—What about the size of unit? Do you record data on the size of unit that has been pre-approved?

Mr Oxley—Yes, we do record that data. Over the life of the program the average size of system installed has been about 1.57 kilowatts. To anticipate your next question, since the introduction of the means test the average system installed is at approximately 1.24 kilowatts...<sup>26</sup>

2.27 The tendency to install smaller systems limits the benefits that could be gained throughout the industry from economies of scale. Mr Brazzale gave an example:

there are economies of scale in system sizes too. For example, you only have to install a system once, whether it is one kilowatt or two kilowatts. It does not cost that much more to install a bigger system because there is a whole lot of one off costs. There are economies of scale in installing bigger systems.<sup>27</sup>

2.28 This may contribute to explaining why the cost per-watt of systems installed has not dropped significantly as the number of systems has increased.<sup>28</sup> However the

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25 Green Energy Trading, *Submission* 100.

26 Mr Stephen Oxley, Assistant Secretary, Renewable Energy Branch, DEWHA, *Proof Committee Hansard*, 11 August 2008, p. 20.

27 Mr Riccardo Brazzale, Managing Director, Green Energy Trading, *Proof Committee Hansard*, 28 July 2008, p. 48.

28 DEWHA, *Submission* 147, Attachment B.



committee also notes that this may partly be a result of increases in the price of silicon, a key component of the systems.<sup>29</sup>

2.29 Witnesses suggested different ways in which the decline in the size of systems could be addressed. The commonest suggestion was to reduce the rebate offered per watt, generally to \$4/watt, and increase the number of watts up to which a rebate would be paid, generally to 2 kilowatts.<sup>30</sup> An alternative proposal was to change the basis for the rebate from dollars per watt installed to a percentage of the installation cost.<sup>31</sup>

2.30 The committee recognises the concerns raised by many witnesses. It appreciates that the government also recognises that the rebate system itself is not going to be the key long-term policy that will lead to a low-carbon economy. As the Minister recently stated:

[W]hat I want to say very clearly is that the idea we can achieve significant reductions in carbon pollution – the reductions we need – from the open-ended, non means-tested provision of \$8,000 rebates for any technology is not only financially irresponsible, it’s environmentally misguided.

It’s no way to build a solar industry with a strong and sure footing, the industry this country needs, as we rise to meet the great challenge of climate change.

If solar power in all its forms is going to play the role those of you here believe it can - and quite frankly, that is must - in our future energy mix, then it needs to become a mainstream solution.<sup>32</sup>

2.31 The committee endorses these observations.

## **Policies to support renewable energy**

2.32 The committee heard evidence in support of a gross feed-in tariff for electricity generated using renewable energy technologies. Support for the introduction of such a tariff on a national basis came from a range of submitters.<sup>33</sup>

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29 Lara Skinner, 'Solar Silicon Market a Seller's Paradise', RenewableEnergyWorld.com, 14 Feb 2005, <http://www.renewableenergyworld.com/rea/news/story?id=22425> (accessed 14 August 2008); 'Silicon price hike squeezes solar-product profit margins', China.org.cn, 18 Dec 2007, <http://www.china.org.cn/english/business/236109.htm> (accessed 14 August 2008); Mr Robert Blakiston, Managing Director Australia, SunPower Corporation Australia, *Proof Committee Hansard*, 7 August 2008, p. 27.

30 For example Mr Dickson, Adelaide Buyers Group, *Proof Committee Hansard*, 6 August 2008, p. 9.

31 Mr Riccardo Brazzale, Managing Director, Green Energy Trading, *Proof Committee Hansard*, 28 July 2008, p. 45.

32 The Hon Peter Garrett AM MP, Minister For The Environment, Heritage And The Arts, *Speech To The Appropriate Technology Retailers Association Of Australia Conference, Melbourne*, 2 August 2008, p. 8.

2.33 Experienced industry players recognised that there would need to be a carefully arranged transition from rebates to feed-in tariffs if the industry was to develop sustainably. There was also recognition that a means-tested rebate could work effectively in combination with feed-in tariffs, by focussing on removing the up-front cost barriers for poorer households that lacked the capital to make the initial investment that could then take advantage of feed-in tariff benefits.<sup>34</sup>

2.34 Many advocates for the industry saw rebates as a short to medium-term policy, and that in the long term they should be reduced or phased out as other policy mechanisms are phased in. EcoTasmania for example recommended that the long term strategy should be:

- Set a sunset date on that rebate policy, pending the introduction of more comprehensive carbon market and feed-in tariff laws.
- Foreshadow a national feed-in tariff mandate, and a mechanism to bring such a policy into effect as soon as practicable.<sup>35</sup>

2.35 The Clean Energy Council pointed out that rebates are an inherently volatile policy approach, and favoured a transition to feed-in tariffs:

It is both the Council's, and the industries view that it a Gross National Feed in Tariff is necessary to provide the ongoing certainty required for the industry to expand and reach its full potential over time. It is acknowledged that rebate type schemes are always vulnerable to budgetary considerations, and a Feed in Tariff will provide more sustainable support to both industry and households.<sup>36</sup>

2.36 Conergy Pty Ltd made similar suggestions:

Have a smooth transition from the end of the rebate program into a National Gross Feed-in Tariff for various renewable SGU technologies, by 2010, so it falls in line with the introduction of the proposed Emissions Trading Scheme. An effective Gross FiT should provide a maximum payback

33 Glen McCarrick, *Submission 57*; Solar Sales (now SunPower Corporation Australia), *Submission 69*; Stuart Watson & Associates, *Submission 75*; Autonomous Energy, *Submission 81*; Beyond Building Energy, *Submission 88*; EcoTasmania, *Submission 137*; Mr Andrew McCarthy, Project Manager, Environment Shop, *Proof Committee Hansard*, 28 July 2008, p. 15; Mr Peter Bone, Director, Bone Electrical, *Proof Committee Hansard*, 28 July 2008, p. 83; Mr Troy Ryan, Director, Adelaide Hills Solar and Solar Depot, *Proof Committee Hansard*, 6 August 2008, p. 2; Mr Brian Jones, Manager, Switched On Solar, *Proof Committee Hansard*, 7 August 2008, p. 1; Conergy, *Submission 98*, p. 6; Alternative Technology Association, *Submission 52*; ACF, *Submission 82*; Darebin City Council, *Submission 90*; Mr Jon Stanhope MLA, Chief Minister, ACT, *Submission 126*; Professor Michael Christie, *Submission 68*; Professor Andrew Blakers, *Proof Committee Hansard*, 25 July 2008, p. 12.

34 For example, The Environment Association, *Submission 107*, pp 3–4.

35 EcoTasmania, *Submission 137*, p. 4.

36 Clean Energy Council, *Submission 131*, p. 2.

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period of 10 years for householders and 15 years for commercial consumers.<sup>37</sup>

2.37 The Australian Conservation Foundation supported a similar model of transition from rebate to feed-in tariff, with some overlap of the two schemes.<sup>38</sup> Mr Dickson from the Adelaide Buyers Group said:

I believe that in addition to the means test of \$150,000, \$4 per watt up to two kilowatts, and a gross metered feed-in tariff, preferably applied nationally, would be the optimal solution for generating growth in the solar PV industry.<sup>39</sup>

2.38 Another suggestion, based on California's renewable energy policies, is to make government financial support dependent on whether households have already taken other steps to improve their energy efficiency. Energy efficiency standards have to be met before an existing household can access the California Solar Initiative.<sup>40</sup> Mr Warwick Ryan, representing Suntech Power Australia, discussed the arrangements:

Clearly, we have seen evidence from other witnesses before this committee who have said that households should be encouraged to reduce their overall energy consumption by other means before they look at getting assistance to put on a solar PV unit. Reducing their energy usage almost as a prerequisite to getting the Rolls Royce add-on is a clever strategy. In California this applies as well... CARE eligible homeowners, which is the California Alternate Rates for Energy program, actually receive a higher rebate or subsidy than those who are not eligible. There is actually a complementary system. If you are showing that you are taking other initiatives to reduce your energy use in your home, you fit into one category and you receive a higher subsidy.<sup>41</sup>

2.39 The Committee notes that the government appears to recognise the need for further policy development in the area. This is evident in both the Minister's support for discussions around a feed-in tariff, and through current steps being taken to consult with industry stakeholders:

Through the next COAG meeting in October the Government plans to work towards a harmonised approach to renewable energy feed-in tariffs...

I will shortly begin a series of roundtables with key stakeholders on practical action households can take to save on energy bills and reduce their environmental impact. The roundtables will include representatives of the

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37 Conergy Pty Ltd, *Submission* 98.

38 ACF, *Submission* 82, p. 2.

39 *Proof Committee Hansard*, 6 August 2008, p. 8.

40 California Energy Commission, Frequently Asked Questions About the California Solar Initiative, <http://www.gosolarcalifornia.ca.gov/csi/faqs.html> (accessed 14 August 2008).

41 *Proof Committee Hansard*, 11 August 2008, p. 14.

community, NGOs, business groups and industries, including the energy services and renewable energy sectors...

We recognise that the industry faces a number of issues, including new and emerging business models, some on a scale we haven't seen in the past, and I look forward to hearing from you what the industry, in these changing times, considers critical for discussion.<sup>42</sup>

2.40 The committee acknowledges the point, made by many industry players in their evidence, that repeated changes to the rebate scheme over a number of years have made it difficult for solar businesses to plan for growth. The rebate scheme has been intended to encourage householders to adopt renewable energy and to provide a platform from which the solar industry may grow and mature. The committee considers that, in the long term, a rebate of this size is not likely to provide a sustainable footing for industry growth.

2.41 The committee notes that feed-in tariffs are scheduled for discussion at COAG in October. They are also being considered in detail by this committee in its inquiry into the Renewable Energy (Electricity) Amendment (Feed-in-Tariff) Bill 2008, which is scheduled to report by 14 October 2008. In these circumstances, the committee leaves further discussion of feed-in tariffs to that report.

### **Recommendation 1**

#### **2.42 The committee recommends that the government:**

- **Continue to provide support to households to take up renewable energy and energy efficiency initiatives, including through schemes such as the SHCP;**
- **Give consideration to providing incentives to householders to install larger photovoltaic systems; and**
- **As part of its deliberations with COAG on feed-in tariffs, note industry preference for the introduction of a feed-in tariff scheme as a sustainable, long term mechanism to encourage domestic uptake of solar energy systems.**

### **The Bill**

2.43 The committee has considered the Save Our Solar (Solar Rebate Protection) Bill 2008. It notes that the bill is mis-named. While subtitled the Solar Rebate Protection bill, the bill itself does nothing to protect the rebates. It merely says that the scheme for administering the Solar Homes and Communities Plan should be subject to parliamentary disallowance. Passing the bill would do nothing to 'protect' rebates in any form.

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42 The Hon Peter Garrett AM MP, Minister For The Environment, Heritage And The Arts, *Speech To The Appropriate Technology Retailers Association Of Australia Conference, Melbourne, 2 August 2008*, pp 7, 9.

2.44 The committee was also surprised at Coalition members' vociferous criticism of the means test. Less than two years ago, the then Environment Minister, Senator the Hon. Ian Campbell said:

In relation to PVRP, I am very keen to see a program to succeed PVRP that does what we did last time. I have extended it once already as environment minister. I am very keen to extend it again, but I am absolutely certain we can improve it more. One of the problems at the moment is that it goes generally to very wealthy people. It cuts out middle Australia and it is virtually unaffordable for low-income Australians. I have said to the renewable energy industry that, when a replacement for the PVRP scheme is negotiated and worked on, which I am working on at the moment, we want to make sure that people on lower and middle incomes can get it because, quite frankly, at the moment the people who generally get it are very, very high income earners, and I would like to see low- and middle-income earners be able to shift their homes and schools across to solar power.<sup>43</sup>

Such targeting of the rebate to low- and middle- income earners is exactly what the current rebate policy achieves.

2.45 The committee received little evidence in either submissions or the public hearings that related directly to the substance of the bill, and the committee can not support the bill. It opposes it for four reasons.

2.46 First, the opposition has made it clear that it wishes to attempt to reverse the means test on the rebate, announced in the May budget. They have not stated any other ways in which they wish to reform administration of the SHCP. However, as evidence received from DEWHA has shown, the Plan is continuing to meet its environmental objectives, and is doing so while being targeted to lower income earners. The Committee cannot support a bill which some MPs wish to use as a vehicle for modifying administration of a government program that is already meeting its objectives.

2.47 Furthermore, even if the bill were passed, any move by Coalition Senators to use it to modify the administration of the SHCP would depend on the support of Senators from other parties who share the balance of power in the Senate. To the committee's knowledge, some of these Senators have not publicly stated their views about the SHCP. There is no certainty around what kinds of administrative arrangements would gain the support of enough Senators to avoid disallowance in the Senate. Passage of the bill could thus significantly increase uncertainty for industry and the community over the future of the program. This is the opposite of what industry wants.

2.48 Second, the rebates are already being taken up at record levels. Demand for the program is extremely strong, straining the resources of the Department, taking up

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43 *Senate Debates*, 12 October 2006, p. 107.

an increasing share of available public funds for household renewable energy and water efficiency measures and causing rapid change and volatility within the industry. Removing the means test would therefore create even greater demand, to the detriment of both the long-term viability of the rebate scheme and the solar industry. Given that such volatility is precisely what the industry has complained about, removal of the means test would be ill-advised.

2.49 Third, administrative reform should be backed by coherent principles. However there is no plan underpinning the Coalition's approach to parliamentary scrutiny. The bill is at odds with how the Coalition approached the administration of other programs when they were in government. The Regional Partnerships and Sustainable Regions programs were the subject of critical comments by a Senate Committee and by the independent umpire, the ANAO.<sup>44</sup> Labor Senators recommended changes, but did not go as far as suggesting that the program guidelines become disallowable instruments.<sup>45</sup> Yet even Labor's modest reform proposals were rejected by Coalition Senators, and by the then government.<sup>46</sup> Furthermore, the committee is unaware of any previous examples of a bill having the effect of allowing one chamber to dictate the administrative arrangements for a government program (see Chapter 1). The committee has been offered no policy rationale to explain the Coalition's inconsistent approach to program administration revealed by this bill.

2.50 Fourth, the bill has the potential to significantly increase the amount of red tape in the program, and above all to reduce the ability of the government to respond quickly to what all agree is a fast-evolving industry. If the bill were to be passed, then every single proposal to reform the administration of the scheme would be required to go through lengthy consultation and clearance processes. Potentially valuable improvements could become hostage to the interests of individual political parties and lobby groups. The bill could seriously hamper efforts to respond to the evolving needs of the renewable energy industries, and to Australia's carbon emissions reduction strategy.

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44 Australian National Audit Office, *Performance Audit of the Regional Partnerships Programme*, Audit Report No. 14 2007–08, ANAO, Canberra.

45 Senate Finance and Public Administration Committee, *Report of the Inquiry into the Regional Partnerships Program*, 6 October 2005.

46 Senate Finance and Public Administration Committee, *Report of the Inquiry into the Regional Partnerships Program*, Government Senators' Report, 6 October 2005.

2.51 The bill would also force the government to telegraph to energy markets possible changes in financial incentives, which could cause market distortions and potentially counter-productive strategic behaviours in the industry. This could artificially distort prices and increase market volatility. This would not be good public policy.

**Recommendation 2**

**2.52 The committee recommends that the bill not proceed.**

**Senator Anne McEwen**  
**Chair**

